

Message Text

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FODAG FOR SOL KUTTNER

E.O. 11652: N/A

TAGS: UN, AORG

SUBJECT: UN JOINT STAFF PENSION BOARD

1. WE URGE THAT YOU CONVINCE YOUR UNJSP BOARD COLLEAGUES
THAT NO CHANGES SHOULD BE MADE IN THE PRESENT PENSION
SYSTEM WHICH WOULD OR COULD ADVERSELY AFFECT THE ACTUARIAL
SOUNDNESS OF THE FUND AND/OR NECESITATE INCREASED CONTRI-
BUTIONS FROM THE ORGANIZATIONS. (MEETING RECORD SHOULD
MAKE VERY CLEAR YOUR POSITION ON THIS MATTER.) LIBERALI-
ZATION OF BENEFITS SHOULD BE CONSIDERED ONLY REPEAT ONLY
IF RESULTING ADDITIONAL COSTS CAN BE MET BY REDUCING
EXISTING BENEFITS, IN PARTICULAR THOSE BENEFITS WHICH
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EXCEED THOSE PROVIDED BY THE UNITED STATES CIVIL SERVICE
RETIREMENT SYSTEM. UN GENERAL ASSEMBLY HAS DECIDED U.S.
CIVIL SERVICE SYSTEM IS COMPARATOR FOR UN EMOLUMENT SYSTEM
AND THEREFORE PENSION PROGRAM SHOULD FOLLOW THAT OF THE
U.S. RATHER THAN BEING A COLLECTION OF THE BEST GOODIES FROM
VARIOUS COUNTRY SYSTEMS.

2. THERE FOLLOW OUR POSITIONS AND COMMENTS ON SOME OF THE AGENDA ITEMS WHICH WILL BE CONSIDERED BY THE BOARD AT ITS TWENTY-FIFTH SESSION.

3. R.575 ADD 1. WE BELIEVE IT UNWISE AND FINANCIALLY

UNSOUND TO LIBERALIZE BENEFITS RELATING TO LENGTH OF CONTRIBUTORY SERVICE IF SUCH ACTION WOULD REQUIRE ADDITIONAL CONTRIBUTIONS FROM THE ORGANIZATIONS (READ MEMBER STATES). ON THE OTHER HAND IF THE COMMITTEE OF ACTUARIES CAN ASSURE THE BOARD THAT SUCH ADDITIONAL COSTS COULD BE MET BY THE EMPLOYEE CONTRIBUTING SEVEN PERCENT AND THE EMPLOYER CONTRIBUTING FOURTEEN PERCENT TO COVER SERVICE EXCEEDING THIRTY YEARS OR IF IT CAN BE OFFSET PER PARA 1 WE WOULD JOIN IN A CONSENSUS ON THE SUBJECT.

4. R.575 ADD 2. WE CONTINUE TO BELIEVE THAT THE PROVISIONS FOR PAYING ONE-THIRD LUMP SUM PAYMENTS AND PAYING PENSIONS TO SURVIVORS WITHOUT A REDUCTION OF THE ANNUITANTS PENSION IS NOT REPEAT NOT IN THE BEST INTEREST OF THE FUND, AND THAT ACTION SHOULD BE TAKEN TO PUT A STOP TO THESE PRACTICES. OUR BELIEF THAT ONE-THIRD LUMP SUM PAYMENTS DAMAGE THE ACTUARIAL SOUNDNESS OF THE FUND APPEARS TO BE SUPPORTED BY THE REPORT OF THE COMMITTEE OF ACTUARIES (JSPB/CA.89 PARA 33) WHEREIN THE COMMITTEE INDICATES THAT THE AMOUNTS OF COMMUTATIONS HAVE BEEN SIGNIFICANTLY GREATER
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THAN THE ACTUARIAL VALUE OF THE PENSION BEING COMMUTED. IN OUR VIEW IT IS SIMPLY NOT TRUE (PARA 9 OF R.575 ADD 2) THAT SUCH PAYMENTS ARE NECESSARY DUE TO THE EXPATRIATE NATURE OF INTERNATIONAL ORGANIZATIONS, NAMELY THE NEED FOR A SUBSTANTIAL AMOUNT OF CASH ON REPATRIATION TO BE USED FOR CAPITAL OUTLAYS SUCH AS THE PURCHASE OF A HOME ETC., ESPECIALLY SINCE PROFESSIONAL STAFF WITH DEPENDENTS WITH TWELVE OR MORE YEARS OF SERVICE RECEIVE THE EQUIVALENT OF SEVEN MONTHS (28 WEEKS) SALARY AS A REPATRIATION GRANT ON LEAVING THE SERVICE. THE BOARD IS SURELY AWARE THAT A GREAT NUMBER (PERHAPS THE MAJORITY) OF CIVIL SERVANTS WORKING IN THEIR COUNTRIES' CAPITALS ARE NOT NATIVES OF THOSE CITIES AND INEVITABLY SETTLE ELSEWHERE UPON RETIREMENT. IN THE CASE OF THE U.S. CIVIL SERVICE EMPLOYEES (COMPARATOR SERVICE) IN SPITE OF THE FACT THAT THEY EARN LESS THAN PERSONS PERFORMING SIMILAR DUTIES IN THE UN SYSTEM, THEY MANAGE TO RESETTLE WITH NEITHER THE BENEFIT OF A REPATRIATION ALLOWANCE NOR A ONE-THIRD LUMP SUM PENSION PAYMENT.

5. WE ARE ALSO CONCERNED THAT RETIREES OF SOME NATIONALITIES EVADE TAXATION ON LUMP SUM PAYMENTS WHILE AMERICAN

STAFF ARE TAXED ON THAT PORTION ON WHICH NO TAX PREVIOUSLY HAS BEEN PAID.

6. ON THE QUESTION OF SURVIVOR'S PENSIONS WE STRONGLY BELIEVE THAT THE ANNUITANT SHOULD BE CHARGED FOR WHAT IN FACT AMOUNTS TO SURVIVOR'S INSURANCE.

7. THE EFFORT TO JUSTIFY THE PRESENT PRACTICE (PARA 16 OF R.575 ADD 2) IS NOT SUPPORTED BY A CAREFUL READING OF DOCUMENT A 4427. IS IT THE INTENT OF THE SECRETARIAT TO USE THE REASONING GIVEN IN PARA 173 TO JUSTIFY THE CONTENT OF PARA 176?

8. ON THE QUESTION OF SURVIVOR BENEFITS, WE CANNOT UNDER-
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STAND THE RATIONALE FOR PAYING THE SURVIVOR OF AN ANNUITANT, WHO HAS COMMUTED ONE-THIRD OF HIS PENSION, 50 PERCENT OF THE NON-COMMUTED PENSION. TO DO SO AMOUNTS TO DUPLICATE PAYMENT. ON THE GROUNDS OF EQUITY, IS IT FAIR TO PAY TO THE SURVIVORS OF A RETIREE WHO HAS COMMUTED ONE-THIRD OF HIS PENSION THE SAME AMOUNT AS TO THE SURVIVORS OF A RETIREE WHO DID NOT?

9. R.575 ADD 5. ON THE QUESTION OF HOW TO TREAT THE RIGHTS OF SURVIVORS IN THE CASE OF DIVORCE WE WOULD OPPOSE ANY SOLUTION WHICH WOULD INCREASE THE AMOUNT OF THE SURVIVOR'S BENEFIT.

10. R.575 ADD 6. WE ARE OPPOSED TO INCREASING THE MAXIMUM AGE FOR CHILDREN'S BENEFITS.

11. ON THE QUESTION OF PENSION ADJUSTMENT, WE DO NOT BELIEVE THAT A RETIREE WHO HAS OPTED FOR ANNUITY PAYMENTS IN THE CURRENCY OF HIS RESIDENCE AND WHO IS PROVIDED INDEXING COVERAGE IN HIS COUNTRY OF RESIDENCE SHOULD BE PROVIDED THE OPTION OF SWITCHING BACK TO PAYMENT IN DOLLARS WHENEVER IT IS MORE PROFITABLE FOR HIM TO DO SO. IF A RETIREE EXPECTS THE PENSION FUND TO ABSORB THE COST OF INSURING THAT HE SUFFERS NO LOSS IN FOREIGN CURRENCY WHEN THE DOLLAR DROPS IN VALUE SHOULDN'T THE FUND RECOUP THAT EXTRA COST WHENEVER THE DOLLAR APPRECIATED IN VALUE? CERTAINLY SUCH AN OPTION SHOULD NOT BE GRANTED TO GENERAL SERVICE RETIREES WHOSE SALARIES WERE BASED AND PAID IN FOREIGN CURRENCY THROUGHOUT THEIR ACTIVE SERVICE. TO DO SO COULD RESULT IN PENSIONS GREATER THAN THE SALARIES THEY WOULD RECEIVE IF THEY WERE STILL WORKING SHOULD THE DOLLAR APPRECIATE DRAMATICALLY.

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12. THE SECRETARIAT SHOULD BE ASKED FOR A DEFINITION OF
WHAT IT MEANS BY THE TERM QUOTE STATUTORY U.S. DOLLAR
AMOUNT UNQUOTE.

FYI: WE UNDERSTAND THAT THE WORLD BANK AND INTERNATIONAL
MONETARY FUND DO NOT PERMIT RETIREES TO SWITCH BACK AND
FORTH WITH REGARD TO THE CURRENCY IN WHICH THEIR RETIREMENT
WILL BE INDEXED AND PAID AFTER THE INITIAL CHOICE IS MADE.
END FYI. VANCE

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